



# Schedule ABIE

## Exceptions to the Add Back of Intangible Expenses

2005

Massachusetts  
Department of  
Revenue

Enclose this schedule to claim an exception to the requirement under MGL, Ch. 63, sec. 31I and 31K to add back to net income related member intangible expenses and costs. Complete the relevant exception(s) for each related member as to which an exception is being claimed.

### Taxpayer Information

Taxpayer name	Federal Identification number	For tax year beginning	Ending
Related member reporting the income	Federal Identification number	For tax year beginning	Ending
Name of jurisdiction(s) in which related member is taxed on net income (if applicable)			
Principal reporting corporation (if applicable)	Federal Identification number	For tax year beginning	Ending

### Exception 1. Full exception for intangible expense or cost paid, accrued, or incurred to a related entity that is taxed at a similar rate.

1 Amount of deductible intangible expense or cost claimed by taxpayer .....	1	
2 Actual tax rate applied to taxpayer (from Forms 355, 355C, 355S, 63FI, or P.S.1) .....	2	
3 Enter the tax rate applied to the intangible expense or cost from the related entity's return .....	3	
4 Related entity's apportionment percentage from the return. If an apportionment formula was not used, enter "1" .....	4	
5 Multiply line 3 by line 4 .....	5	
6 Subtract line 5 from line 2 .....	6	
7 Exception amount. If line 6 is equal to or less than .03, enter the amount from line 1 here and in Total Exceptions, line 1. Otherwise, enter "0" .....	7	

### Exception 2. Partial exception for intangible expense or cost paid, accrued, or incurred to a related corporation.

Do not complete this section if you have claimed Exception 1 as to the same intangible expense or cost add back. Complete this section only if the intangible expense was reported as net income by the related corporation and, if applicable, the tax reported by the related corporation on that return exceeded the minimum tax.

1 Amount of deductible intangible expense or cost claimed by taxpayer .....	1	
2 Amount of the intangible income reported by related corporation .....	2	
3 Net income of related corporation .....	3	
4 Enter the smaller number from line 2 or 3 .....	4	
5 Taxpayer's apportionment percentage from the apportionment schedule, line 5. Enter "1" if an apportionment schedule was not filed .....	5	
6 Related corporation's apportionment percentage from the apportionment schedule, line 5. Enter "1" if an apportionment schedule was not filed .....	6	
7 Multiply line 1 by line 5 .....	7	
8 Multiply line 4 by line 6 .....	8	
9 Tax rate applied to taxpayer (from Forms 355, 355C, 355S, 63FI, or P.S.1) .....	9	
10 Tax rate applied to related corporation .....	10	
11 Multiply line 7 by line 9 .....	11	
12 Multiply line 8 by line 10 .....	12	
13 Exception amount. If line 12 is greater than line 11, enter the amount from line 1. Otherwise, divide line 12 by line 9 and divide the result by line 5. Enter the result here and in Total Exceptions, line 2 .....	13	

**Exception 3. Partial exception for the intangible expense or cost paid, accrued, or incurred to a related individual.**

Complete this section only if the intangible expense or cost is or will be reported as net income by the related individual. Do not complete this section if you have claimed Exception 1 as to the same intangible expense or cost add back.

<b>1</b>	Amount of deductible intangible expense or cost claimed by taxpayer .....	<b>1</b>	<input type="text"/>
<b>2</b>	Amount of the intangible expense or cost income reported by the related individual .....	<b>2</b>	<input type="text"/>
<b>3</b>	Net income of related individual .....	<b>3</b>	<input type="text"/>
<b>4</b>	Enter the smaller of lines 2 or 3 .....	<b>4</b>	<input type="text"/>
<b>5</b>	Taxpayer's apportionment percentage from the apportionment schedule, line 5. Enter "1" if an apportionment schedule was not filed .....	<b>5</b>	<input type="text"/>
<b>6</b>	Multiply line 1 by line 5 .....	<b>6</b>	<input type="text"/>
<b>7</b>	Tax rate applied to taxpayer (from Forms 355, 355C, 355S, 63FI, or P.S.1) .....	<b>7</b>	<input type="text"/>
<b>8</b>	Tax rate applied to related individual .....	<b>8</b>	<input type="text"/>
<b>9</b>	Multiply line 6 by line 7 .....	<b>9</b>	<input type="text"/>
<b>10</b>	Multiply line 4 by line 8 .....	<b>10</b>	<input type="text"/>
<b>11</b>	Exception amount. If line 10 is greater than line 9, enter the amount from line 1. Otherwise, divide the amount in line 10 by line 7 and divide the result by line 5. Enter result here and in Total Exceptions, line 3 .....	<b>11</b>	<input type="text"/>

**Exception 4. Exception based on supporting statement.**

The taxpayer must prepare with its tax return and make available to the Commissioner upon request a supporting statement prepared in accordance with the Department's public written statements. All double tax exception claims must be made by answering the questions set forth in the preceding sections.

Check the basis for this claim:

- Business purpose/economic substance
- Section 31K foreign treaty exception
- Conduit exception (answer questions 1–13)

<b>1</b>	Amount of deductible intangible expense or cost claimed by taxpayer .....	<b>1</b>	<input type="text"/>
<b>2</b>	Name of the related member to which the taxpayer paid, accrued or incurred the intangible cost or expense .....	<b>2</b>	<input type="text"/>
<b>3</b>	FID of the related member to which the taxpayer paid, accrued or incurred the intangible cost or expense .....	<b>3</b>	<input type="text"/>
<b>4</b>	Name the type of intangible asset for which the cost or expense is being paid, accrued or incurred (e.g., trademarks, a patent, etc.). If more than one, name the type of asset that resulted in the biggest cost or expense .....	<b>4</b>	<input type="text"/>
<b>5</b>	If the intangible cost or expense was paid as a percentage of income or receipts, enter the percentage (if the rate is variable, enter the effective rate for the period covered by this tax return) .....	<b>5</b>	<input type="text"/>
<b>6</b>	If the intangible cost or expense was paid, accrued or incurred pursuant to an arrangement or agreement with a fixed term, enter the termination date .....	<b>6</b>	<input type="text"/>
<b>7</b>	If the intangible cost or expense was paid, accrued or incurred pursuant to a written contract, enter the contract date .....	<b>7</b>	<input type="text"/>
<b>8</b>	If the amount of the intangible cost or expense is the result of or supported by a written study or appraisal, enter the date of the study or appraisal .....	<b>8</b>	<input type="text"/>
<b>9</b>	If the taxpayer is seeking the section 31K exception, enter the name of the foreign nation in which the related member is resident .....	<b>9</b>	<input type="text"/>
<b>10</b>	Did the taxpayer assert an add back exception in connection with the arrangement, agreement or contract on its Massachusetts return for a prior year?		
	<input type="checkbox"/> Yes <input type="checkbox"/> No		
<b>11</b>	Was the intangible cost or expense actually paid (e.g., as opposed to accrued)? <input type="checkbox"/> Yes <input type="checkbox"/> No		
<b>12</b>	If the answer to question 11 is yes, was the amount paid substantially returned to the taxpayer, either directly or indirectly, during the tax year (e.g., through the means of a dividend, loan, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No		
<b>13</b>	Was the underlying transaction entered into in whole or in part on the advice of a tax advisor? <input type="checkbox"/> Yes <input type="checkbox"/> No		
<b>14</b>	Was the intangible asset referenced in answer 4 primarily developed by the taxpayer? <input type="checkbox"/> Yes <input type="checkbox"/> No		
<b>15</b>	Was the intangible asset referenced in answer 4 primarily developed by the related member? <input type="checkbox"/> Yes <input type="checkbox"/> No		
<b>16</b>	Was the intangible asset referenced in answer 4 purchased by the related member from an unrelated party? <input type="checkbox"/> Yes <input type="checkbox"/> No		
<b>17</b>	The taxpayer may use the space below to provide greater detail concerning its exception 4 claim.		

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**Total Exceptions**

<b>1</b>	Enter amount from Exception 1, line 7 .....	<b>1</b>	<input type="text"/>
<b>2</b>	Enter amount from Exception 2, line 13 .....	<b>2</b>	<input type="text"/>
<b>3</b>	Enter amount from Exception 3, line 11 .....	<b>3</b>	<input type="text"/>
<b>4</b>	Enter amount from Exception 4, line 1 .....	<b>4</b>	<input type="text"/>
<b>5</b>	Total add back exception. Add lines 1 through 4. Enter here and on appropriate corporate return .....	<b>5</b>	<input type="text"/>